

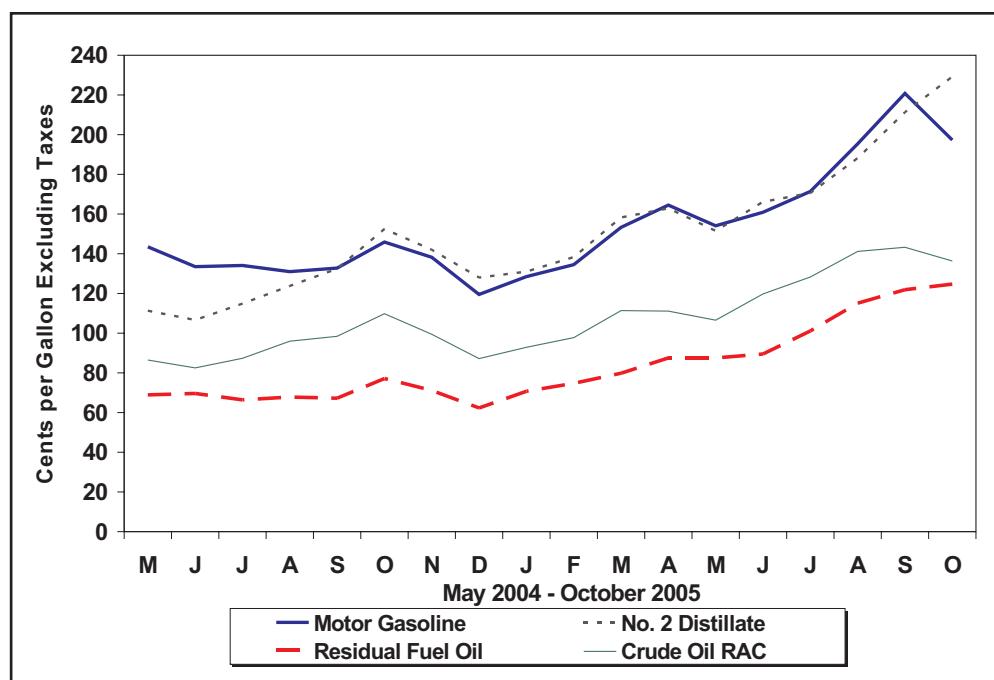
# Highlights

Although unsettled, world crude oil prices retreated during October. The decline from the record-setting high prices seen for many benchmark streams in September was largely caused by reduced crude oil demand. More specifically, reduced runs at many U.S. refineries, particularly in the Gulf Coast region, and to a lesser extent, a strike by French refinery workers contributed to an excess of physical crude oil. Further, high prices in recent weeks dampened demand for crude oil, contributing to the oversupply of oil. Demand for refined products also played a role in falling crude oil prices. At the beginning of the month, markets reacted to U.S. government announcements that refined products would be released from emergency stores, if necessary to meet demand. Lower demand for gasoline in European markets also dampened prices. Despite a short-lived rise in prices due to the release of an EIA forecast and later, the threat of another storm striking in the Gulf of Mexico region, prices continued to moderate through the end of the month.

Despite the threat of Hurricane Wilma at mid-month, prices for crude oil and refined products in the United States fell during October, retreating from the record-breaking highs seen in September. The decrease in prices was driven by declining demand—especially for gasoline—adequate supply levels of crude oil and most of the major products, and improving conditions in the U.S. Gulf Coast region. Crude oil production, refinery, and pipeline operations improved over the course of the month. At the start of October about 3 million barrels per day of refining capacity in the region was shut down, but by the end of the month, outages were reduced to about 800 thousand barrels per day. Most crude oil and refined

products pipelines were up and running by the close of October, and as products, especially gasoline, reached their destination markets, fears of shortages abated and prices dropped appreciably. Gasoline prices showed the most significant decline, thanks in part to decreasing demand. Although gasoline consumption usually declines following the end of summer, monthly supply data suggest demand for gasoline fell 1.0 percent from the rate seen in October 2004. Excepting September, gasoline demand during 2005 thus far has consistently been above the monthly rates seen during 2004. Record high prices following the hurricanes in September also affected demand. Supply reports also influenced October gasoline price trends. The reports showed steadily rising stock levels, which were aided by a robust rate of imports. Distillate prices showed a less severe downward trend because of the approaching heating season and a sustained decline in inventories during the month. Distillate stocks, particularly in the Midwest,

**Figure HL1. Crude Oil and Petroleum Product Wholesale Prices**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	October 2005		September 2005		October 2004		October 2005		September 2005		October 2004	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	226.2	58.5	242.1	59.4	158.6	58.0	197.3	317.4	220.8	316.3	145.9	315.7
<b>Conventional</b> .....	223.3	34.0	238.1	34.0	153.1	33.7	194.4	206.7	217.1	211.2	141.7	207.7
Regular .....	221.0	28.9	236.1	28.8	150.9	27.6	193.1	180.6	215.7	183.7	140.3	179.6
Midgrade .....	231.5	2.9	245.1	3.0	159.5	3.4	197.4	10.9	221.2	11.1	146.8	10.7
Premium .....	243.5	2.1	255.1	2.2	168.7	2.6	206.9	15.3	230.4	16.5	152.6	17.5
<b>Oxygenated</b> .....	218.8	2.2	238.5	1.8	157.5	2.8	195.7	10.4	219.9	8.7	148.0	11.1
Regular .....	215.9	1.8	236.2	1.5	155.3	2.3	194.4	8.6	218.8	7.1	146.5	9.0
Midgrade .....	232.0	0.2	248.8	0.2	163.5	0.3	193.9	1.0	221.0	1.0	148.6	1.2
Premium .....	236.6	0.1	255.0	0.1	174.5	0.2	211.8	0.8	231.7	0.6	161.0	1.0
<b>Reformulated</b> .....	231.4	22.3	248.0	23.7	167.2	21.5	203.5	100.3	228.8	96.4	154.8	96.9
Regular .....	227.7	17.1	244.6	18.4	163.5	16.2	200.7	82.1	226.3	79.5	152.3	78.3
Midgrade .....	238.5	2.4	255.6	2.6	173.9	2.4	213.8	3.7	235.9	3.8	161.2	4.9
Premium .....	247.8	2.7	263.8	2.7	182.0	2.9	216.4	14.5	242.0	13.0	166.7	13.7
<b>Aviation Gasoline</b> .....	272.8	0.1	280.7	0.1	195.5	0.1	254.9	0.4	267.4	0.6	174.9	0.5
<b>Kerosene-Type Jet Fuel</b> .....	236.1	42.2	210.2	44.6	155.1	44.3	234.9	14.7	206.6	16.2	155.1	13.3
<b>Propane (Consumer Grade)</b>	149.2	2.6	130.8	1.9	98.2	2.2	111.1	33.7	107.8	30.1	88.6	40.2
<b>Kerosene</b> .....	235.3	0.2	NA	NA	169.5	0.1	226.9	1.9	218.7	1.2	164.4	2.0
<b>No. 1 Distillate</b> .....	245.2	0.2	227.5	0.2	167.0	0.1	233.6	1.3	220.7	0.9	166.8	1.1
<b>No. 2 Distillate</b> .....	234.5	19.0	217.3	19.6	155.3	20.2	229.2	144.4	211.3	144.5	152.4	138.4
No. 2 Fuel Oil .....	217.5	1.7	207.8	1.9	153.2	2.3	205.8	19.0	198.2	17.0	147.9	17.0
No. 2 Diesel Fuel .....	236.2	17.3	218.4	17.7	155.5	17.9	232.8	125.4	213.0	127.5	153.0	121.4
Low Sulfur .....	242.2	11.6	222.4	12.3	158.7	12.1	234.7	110.0	214.2	111.8	153.7	106.3
High Sulfur .....	223.8	5.7	209.1	5.5	149.0	5.8	219.2	15.5	204.1	15.7	147.8	15.1
<b>No. 4 Fuel<sup>a</sup></b> .....	181.7	0.2	182.1	0.1	W	W	W	W	169.1	0.0	127.9	NA
<b>Residual Fuel Oil</b> .....	127.9	10.1	125.2	10.4	83.2	8.6	124.7	3.8	121.9	3.5	78.6	4.3
Sulfur Content not > 1 % .....	142.7	3.6	138.4	4.3	91.5	1.9	139.6	2.0	140.2	1.8	89.2	2.0
Sulfur Content > 1 % .....	119.8	6.5	115.8	6.1	81.0	6.8	108.8	1.8	103.6	1.7	69.5	2.3

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

were affected by vigorous agricultural demand during the height of the harvest season. Monthly average spot market prices for various products at New York Harbor highlight the changes seen in the market during October. In September, the average price for regular gasoline was \$2.130 per gallon, but in October the price dropped to \$1.713 per gallon, a decrease of 41.7 cents. The average price in October 2004 was \$1.377 per gallon, 33.6 cents (24.4 percent) below the October 2005 level. For No. 2 fuel oil, the average price in October was \$1.893 per gallon, down 7.3 cents from last month's average of \$1.966 per gallon. The year-ago price was \$1.485 per gallon, a difference of 40.8 cents to the October 2005 level. The West Texas Intermediate (WTI) crude oil price averaged \$62.26 per barrel this month, compared with \$65.58 per barrel last month and \$53.28 per barrel in October 2004.

Additional October market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma declined during October. Opening the month at its highest level, \$66.21 per barrel, the price immediately began to drop in response to slowing demand and rising oil production rates in the Gulf of Mexico. Although fears that Hurricane Wilma might strike the Gulf Coast region drove the price for WTI higher at mid-month, once the threat of

the storm passed, the price retreated. Continuing its decline, the price closed October at its lowest point, \$59.80 per barrel, \$6.41 below the month's opening level.

- Monthly average crude oil prices dropped in all categories of sales in October. The average domestic crude oil first purchase price declined \$2.64 (4.4 percent) to \$56.96 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil saw the largest decrease, falling \$5.56 (9.6 percent), to \$52.37 per barrel. The average landed cost of foreign crude oil declined \$4.31 (7.4 percent), to \$54.05 per barrel.
- The average refiner acquisition cost for domestic crude oil fell \$2.06 (3.3 percent), to \$60.78 per barrel. The average cost of imported crude oil to U.S. refiners declined \$3.38 (5.7 percent), to \$55.41 per barrel, while the composite refiner acquisition cost for crude oil dropped \$2.92 (4.9 percent), to \$57.26 per barrel.

## Petroleum Products

### Motor Gasoline

At New York Harbor, the daily spot price for regular gasoline dropped significantly over the course of October. Following its opening at \$2.095 per gallon, the price entered a period of steep decline as markets across the country adjusted to news of recovering refining and pipeline operations. Reports that demand for gasoline was dropping also contributed to the decline. By the end of the month the price was significantly lower, thanks to more product reaching regional markets and the threat of storms affected production and delivery infrastructure abated. The price closed October at \$1.516 per gallon, 57.9 cents below the month's opening level.

- Monthly average gasoline prices fell significantly during October. The average price for retail sales of motor gasoline by refiners declined 15.9 cents to \$2.262 per gallon, while the average wholesale price decreased 23.5 cents to \$1.973 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets dropped 17.4 cents to \$2.265 per gallon. The average wholesale price for gasoline fell 24.1 cents to \$1.978 per gallon. The average dealer tank wagon (DTW) price decreased 21.0 cents to \$2.083 per gallon, while the average rack price declined 27.3 cents to \$1.935 per gallon. The average bulk sale

price fell 16.4 cents to \$1.949 per gallon. Reformulated gasoline prices were 5.0 cents higher than conventional gasoline prices at retail, and 5.9 cents more at wholesale. Oxygenated gasoline prices were 8.8 cents lower conventional gasoline prices at retail, and 0.1 cent more at wholesale.

- Data show refiner sales of motor gasoline registered only modest changes during October. Total sales rose 200,000 gallons per day (0.1 percent) to an average of 375.9 million gallons per day. Retail sales declined 900,000 gallons per day (1.5 percent), while wholesales increased 1.1 million gallons per day (0.3 percent). Rack sales made up to 70.5 percent of wholesales, while DTW and bulk sales accounted for 14.4 percent and 15.1 percent, respectively. Reformulated gasoline made up 32.6 percent of total motor gasoline sales, while oxygenated gasoline accounted for 3.4 percent of sales.

### No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor declined in October, although not as steeply as prices for other products. The price opened the month at its highest point, \$2.051 per gallon. As fears regarding crude oil and refined product supplies began to abate, it followed the general decline seen in the market. However, while the price continued to fall following the release of a report forecasting a colder-than-normal winter in the Northeast during the second week of October, it declined at less severe rate than seen in other refined products. The price hit its low of \$1.745 per gallon on October 24 following Hurricane Wilma's landfall in Florida. Closing the month at \$1.755 per gallon, the price was 29.6 cents lower than its opening level for October.

- October monthly average prices for No. 2 distillates rose in all categories of sales. The national average residential sales price increased 3.6 cents to \$2.453 per gallon. The average wholesale price climbed 17.1 cents to \$2.293 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 27.7 cents, while the average wholesale price for No. 2 diesel fuel increased 19.9 cents. The difference between low- and high-sulfur diesel fuel prices was 16.9 cents at retail, and 11.0 cents at wholesale.
- Sales of No. 2 distillates by refiners were mixed during October. Total sales fell 700,000 gallons per day (0.4 percent), to 163.4 million gallons per day. Sales of No. 2 fuel oil increased 1.8 million gallons per day (9.5 percent), while sales of No. 2 diesel fuel decreased 2.5 million gallons per day (1.7 percent).

Low-sulfur diesel fuel accounted for 85.2 percent of all refiner diesel fuel sales, and 74.4 percent of all refiner No. 2 distillate sales.

### ***Residual Fuel Oil***

- Generally, monthly average residual fuel oil prices increased in October. Refiner prices for low-sulfur residual fuel oil rose 4.3 cents to \$1.427 per gallon at retail, but fell 0.6 cent to \$1.396 per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil increased 4.0 cents to \$1.198 per gallon, while the wholesale price rose 5.2 cents, to \$1.088 per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil increased 1.4 cents to \$1.389 per gallon at retail, and 4.7 cents to \$1.328 per gallon at wholesale. The retail price for high-sulfur residual fuel oil climbed 3.9 cents to \$1.207 per gallon, while the wholesale price rose 1.6 cents to \$1.098 per gallon.
- Sales of residual fuel oil by refiners underwent only modest changes in October. Total sales remained flat at 13.9 million gallons per day. Low-sulfur residual fuel oil sales fell 500,000 (8.2 percent), while high-sulfur re-

sidual fuel oil sales increased 500,000 gallons per day (6.4 percent).

### ***Other Products***

- For the most part, prices for the remaining surveyed products rose during October. Refiner prices for propane climbed 18.4 cents per gallon at retail, and 3.3 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 10.2 cents per gallon, while the average retail price rose 5.8 cents per gallon. The average wholesale propane price increased 3.8 cents per gallon. Prices for kerosene-type jet fuel and No. 1 distillate rose at both the retail and wholesale levels, while prices for aviation gasoline fell at both levels. The wholesale price for kerosene rose in October, while the retail price for No. 4 distillate register a decrease.
- Refiner sales of these products varied in October. Sales of propane and No. 1 distillate rose at both retail and wholesale, while kerosene-type jet fuel and aviation gasoline sales declined at both levels. Sales of kerosene increased at wholesale, while sales of No. 4 distillate rose at the retail level.